MIDWEST ENERGY EFFICIENCY ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

MIDWEST ENERGY EFFICIENCY ALLIANCE

CONTENT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Midwest Energy Efficiency Alliance

Report on the Financial Statements

We have audited the accompanying financial statements of Midwest Energy Efficiency Alliance (a not-for-profit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Marcum LLP ▪ Nine Parkway North ▪ Suite 200 ▪ Deerfield, Illinois 60015 ▪ Phone 847.282.6300 ▪ Fax 847.282.6301 ▪ www.marcumllp.com

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midwest Energy Efficiency Alliance as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Stan*dards, we have also issued our report dated November 16, 2018, on our consideration of Midwest Energy Efficiency Alliance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, controls and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Midwest Energy Efficiency Alliance's internal control over financial reporting and compliance.

Marcum LLP

Deerfield, IL
November 16, 2018

MIDWEST ENERGY EFFICIENCY ALLIANCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

Assets		
Current Assets		
Cash and Cash Equivalents:		
Cash and cash equivalents	$ 478,316	
Cash and cash equivalents - operating reserve	775,000	
Cash and cash equivalents - strategic reserve	921,881	
Total Cash and Cash Equivalents	2,175,197	
Accounts receivable, net	638,517	
Certificates of deposit	979,327	
Prepaid expenses	59,808	
Total Current Assets		$ 3,852,849
Property and Equipment, Net		217,211
Total Assets		$ 4,070,060

The accompanying notes are an integral part of these financial statements.

MIDWEST ENERGY EFFICIENCY ALLIANCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 130,965	
Accrued expenses	146,080	
Deferred membership	77,550	
Grants/Sponsorships received in advance	82,704	
Current portion of deferred rent	101,356	
Total Current Liabilities		$ 538,655
Long-Term Liabilities		
Deferred rent		231,596
Total Liabilities		770,251
Net Assets		
Unrestricted	3,073,422	
Temporarily restricted	226,387	
Total Net Assets		3,299,809
Total Liabilities and Net Assets		$ 4,070,060

The accompanying notes are an integral part of these financial statements.

MIDWEST ENERGY EFFICIENCY ALLIANCE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support			
Government grants	$ --	$ 1,118,427	$ 1,118,427
Foundation grants	--	332,500	332,500
Municipal utility and nonprofit grants	--	1,509,005	1,509,005
Membership	717,769	--	717,769
Tuition income	519,933	--	519,933
Conference and workshop income	657,831	--	657,831
Miscellaneous	13,812	--	13,812
Interest income	8,071	--	8,071
Program service revenue	990	--	990
Net assets released from restriction by satisfaction of program requirements	2,900,120	(2,900,120)	--
Total Revenue and Other Support	4,818,526	59,812	4,878,338
Expenses			
Program	3,699,017	--	3,699,017
Management and general	904,111	--	904,111
Fundraising and development	10,154	--	10,154
Total Expenses	4,613,282	--	4,613,282
Change in Net Assets	205,244	59,812	265,056
Net Assets - Beginning	2,868,178	166,575	3,034,753
Net Assets - Ending	$ 3,073,422	$ 226,387	$ 3,299,809

The accompanying notes are an integral part of these financial statements.

MIDWEST ENERGY EFFICIENCY ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	Program	Management and General	Fundraising and Development	Total
Bank service and merchant account fees	$ 7,717	$ 19,331	$ --	$ 27,048
Computer expense	12,801	42,902	--	55,703
Depreciation and amortization	54,953	21,370	--	76,323
Dues, licenses and fees	65	6,275	--	6,340
Employee costs - retirement plan, recruitment, education, workers' compensation insurance	80,196	22,917	199	103,312
Gifts and grants	155	5,667	--	5,822
Insurance - health, life and disability	130,046	21,769	631	152,446
Insurance - organizational and liability	11,567	11,567	--	23,134
Meeting and conferences	78,405	281,812	1,350	361,567
Payroll taxes	93,982	14,985	543	109,510
Postage and delivery	10,148	7,718	--	17,866
Printing and reproduction - outsourced	4,778	8,068	--	12,846
Professional fees - accounting	--	19,760	--	19,760
Professional fees - audio/video	--	57,669	--	57,669
Professional fees - consulting	11,619	4,285	--	15,904
Professional fees - legal	--	19,310	--	19,310
Professional fees - public relations	--	20,261	--	20,261
Program expense - direct, paid to subcontractors - consumer programs	1,038,169	--	--	1,038,169
Program expense - direct - training programs	477,950	--	--	477,950
Office expenses	10,554	15,095	--	25,649
Rent	112,935	43,919	--	156,854
Salaries and wages	1,307,123	207,579	5,934	1,520,636
Sponsorship	9,050	--	--	9,050
Supplies and publications	18,681	1,740	--	20,421
Telecommunications	9,759	11,433	25	21,217
Travel, meals and entertainment	152,976	19,260	1,386	173,622
Unemployment taxes	15,259	2,475	86	17,820
Utilities	27,820	10,819	--	38,639
Website	22,309	6,125	--	28,434
Total Expenses	$ 3,699,017	$ 904,111	$ 10,154	$ 4,613,282

The accompanying notes are an integral part of these financial statements.

MIDWEST ENERGY EFFICIENCY ALLIANCE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows From Operating Activities		
Change in net assets		$ 265,056
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	$ 76,323	
Decrease in deferred rent	(95,127)	
Changes in operating assets and liabilities:		
Accounts receivable	1,064,348	
Prepaid expenses	(13,225)	
Accounts payable	(1,208,716)	
Accrued expenses	(45,116)	
Deferred membership	35,550	
Total Adjustments		(185,963)
Net Cash Provided by Operating Activities		79,093
Cash Flows From Investing Activities		
Payments for acquisition of property and equipment	(9,542)	
Purchases of certificates of deposit	(979,327)	
Proceeds from certificates of deposit	872,488	
Net Cash Used in Investing Activities		(116,381)
Net Decrease in Cash and Cash Equivalents		(37,288)
Cash and Cash Equivalents - Beginning		2,212,485
Cash and Cash Equivalents - Ending		$ 2,175,197

The accompanying notes are an integral part of these financial statements.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Midwest Energy Efficiency Alliance ("MEEA") was incorporated under the laws of Illinois on March 22, 2000, as a not-for-profit corporation. The purpose of the corporation is to develop, design, implement and coordinate energy efficiency and renewable energy resource programs, projects and educational activities in the Midwest.

CASH FLOWS

MEEA considers cash equivalents to be all highly liquid investments with a maturity of three months or less when purchased.

CASH BALANCES IN EXCESS OF INSURED AMOUNTS

MEEA maintains its cash in accounts which, at times, may exceed federally insured limits. MEEA has not experienced any losses due to these limits.

CLASSES OF NET ASSETS

The accounts of MEEA are maintained in accordance with the principles of fund accounting, whereby resources are classified for accounting and reporting purposes into net assets established according to their nature and purposes.

Unrestricted Net Assets
Unrestricted net assets represents the portion of expendable funds that are available for the daily operations of MEEA, which are not limited by donor restriction as to use.

Temporarily Restricted Net Assets
Temporarily restricted net assets consists of donor-restricted contributions for specified projects as well as contributions received with time restrictions. When a temporary restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. At June 30, 2018, temporarily restricted net assets consist of purpose restrictions of $226,387 for education related to savings from building codes, access to programs, and utility program best practices, as well as outreach to cities for interacting with future code development. This amount represents revenue for programs to be implemented in the future, and although the revenue is recognized in the current period, the related expenses will not be recognized until they are incurred.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION AND ACCOUNTS RECEIVABLE

MEEA receives support and revenue from various funding sources in order to accomplish their energy efficiency programs. Revenue and other support is recognized in the period earned or awarded and is available for unrestricted use unless explicit donor stipulations specify how or when the funds may be used. Grants may be recognized as revenue either when received or based on a cost-reimbursement methodology as stated in the grant agreement. Dues from members are recognized in the membership year. Dues received in advance of the membership year are reflected as deferred membership on the statement of financial position.

Accounts receivable represent amounts charged to grants that are not yet received as well as dues owed from members. Accounts receivable are recorded at their net realizable value. MEEA provides an allowance for doubtful accounts based upon historical collection experience, coupled with an annual review of the current status of existing accounts. The allowance for doubtful accounts was $4,550 as of June 30, 2018.

INCOME TAXES

MEEA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, MEEA has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Therefore, MEEA has made no provision for income taxes in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by MEEA and recognize a tax liability (or asset) if MEEA has taken uncertain positions that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by MEEA, and has concluded that as of June 30, 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. MEEA is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress. If MEEA were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax would be reported as income taxes.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While actual results may differ from those estimates, management does not expect the differences, if any, to have a material effect on the financial statements.

DATE OF MANAGEMENT'S REVIEW

MEEA has evaluated subsequent events through November 16, 2018, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

NOTE 2 - PROPERTY AND EQUIPMENT

Equipment, furniture, and leasehold improvements are recorded at cost or fair value if contributed. It is MEEA's policy to capitalize expenditures for long-lived assets if they are over $2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Property and equipment consists of the following at June 30, 2018:

		Estimated Useful Lives
Leasehold improvements	$532,680	10
Furniture and equipment	154,142	5-10
Computer equipment and software	104,618	3-5
Total Cost	791,440	
Less: accumulated depreciation	(574,229)	
Property and Equipment, Net	$217,211	

NOTE 3 - RETIREMENT PLAN

MEEA has a tax deferred savings plan covering eligible employees, as defined by the plan documents. Employees are allowed to make elective deferrals up to the maximum allowed by the Internal Revenue Code. MEEA, at its discretion, may contribute on behalf of each of the employees who are participants of the plan, an amount up to 50% of the first 6% of compensation. The contribution expense under the plan was $88,447 for the year ended June 30, 2018.

NOTE 4 - CERTIFICATES OF DEPOSIT

At June 30, 2018, MEEA held certificates of deposits in the amount of $979,327 with interest rates ranging from 0.25% to 1.60% and maturity dates ranging from July 2018 through April 2019. Subsequent to year end, certificates of deposit that matured were renewed.

NOTE 5 - LINE OF CREDIT

MEEA has a $250,000 line of credit available with Fifth Third Bank which expires on November 30, 2018. The note is secured by corporate assets of MEEA as defined by the agreement. Interest is computed at the bank’s prime interest rate plus 1.00% (prime rate was 5.00% as of June 30, 2018), with a floor of 4.00%. During the year, no advance was taken on the line of credit, and as of June 30, 2018 there was no amount due. Management intends to renew the line of credit with substantially similar terms.

NOTE 6 - LEASE

MEEA has a lease agreement for office space in Chicago, Illinois. The lease, which began March 1, 2011 and expires August 1, 2021, requires monthly rent in the range of $17,941 to $22,406 as the lease progresses. The lessor provided various incentives to MEEA upon the signing of the lease. First, the lessor contributed $532,680 towards improvements made to the leased space. In addition, the lessor provided furniture in the amount of $62,401. The lessor also provided full rent abatement for the period from March 2011 through May 2012 totaling $179,410 and partial rent abatement for the period from June 2012 through January 2013 totaling $32,943. These incentives have been included as part of the deferred rent payable. As part of the lease agreement, MEEA is required to keep a letter of credit in the amount of $210,000 for the first four years of the lease. On August 1, 2015, the required letter of credit amount reduced to $175,000 and has been further reduced to $125,000 at June 30, 2018. Cash and cash equivalents of $210,000 serves as collateral for the letter of credit.

In accordance with accounting principles generally accepted in the United States of America, rent expense is recorded on a straight-line basis over the life of the lease. Rent expense for the year ended June 30, 2018 is $156,854. The deferred rent payable balance is $332,952 at June 30, 2018.

Future minimum rental payments due under the lease are as follows:

For the Years Ending June 30,	Amount
2019	$255,394
2020	261,779
2021	268,323
2022	22,406
Total	$807,902

NOTE 7 - CONCENTRATIONS

MEEA receives support and program revenue from the Savings Through Efficient Products Program ComEd (“STEP ComEd”). Total support and program revenue from STEP ComEd aggregated $535,503 for the year ended June 30, 2018 representing 11% of revenues. Revenues associated with STEP ComEd is included in the statement of activities in government grants.

NOTE 8 - SUPPORT AND REVENUE

MEEA's various programs and amounts received including the outstanding accounts receivable as of and for the year ended June 30, 2018 are as follows:

Program Name	Description	Revenue 2018	Accounts Receivable at June 30, 2018
STEP	Provides specific energy efficiency measures to public sector facilities.	$1,018,421	$ --
Building Operator Certification	An educational program targeted to building operators to inform them about low to no cost methods of improving the energy efficiency of their facilities.	719,965	145,717
Membership	Membership Dues from MEEA members to support the Energy Efficiency mission of the organization.	717,769	59,300
Midwest Energy Solutions Conference	A regional conference to promote energy efficiency and educate stakeholders throughout the Midwest.	657,831	25,337
HVAC SAVE	Quality installation and quality maintenance program for residential HVAC systems based on performance.	430,023	16,843
IL Home Performance (EEPS)	Coordinate with State of Illinois-owned utilities to manage Illinois Home Performance with ENERGY STAR Program.	352,160	77,697
PNNL	Pacific Northwest Laboratory Ill Building Codes	184,562	184,562
Kentucky Codes	DOE funded technical assistance for Energy Code Compliance program.	144,491	9,877
(Subtotal Forward)		$4,225,222	$ 519,333

NOTE 8 - SUPPORT AND REVENUE (CONTINUED)

Program Name	Description	Revenue 2018	Accounts Receivable at June 30, 2018
(Subtotal Forward)		$4,225,222	$ 519,333
Joyce Foundation	Joyce Foundation funded project to educate public utilities commissions, legislators, governors and advocates on energy efficiency.	140,000	--
Multi Family	Energy Foundation funded program to educate policymakers and stakeholders to improve access to energy efficiency programs in the affordable multifamily sector.	85,000	--
Building Codes – Midwest Program	Energy Foundation funded to support increased energy efficiency savings from building codes across MEEA footprint and to fund Midwest Energy Codes Conference.	75,000	--
NREL	National Renewal Energy Laboratory	59,995	10,300
K12 Outreach	School Program (K-12) Outreach Assistance in ComEd Grid training for Real Estate Professionals	48,750	48,750
Illinois Codes Collaborative	Illinois IOU funded commercial and residential baseline study.	38,838	38,838
ISEIF	Illinois Science and Energy Innovation Foundation/Smart Grid training for Real Estate Professionals	30,000	--
(Subtotal Forward)		$4,702,805	$ 617,221

NOTE 8 - SUPPORT AND REVENUE (CONTINUED)

Program Name	Description	Revenue 2018	Accounts Receivable at June 30, 2018
(Subtotal Forward)		$4,702,805	$ 617,221
IMT	Institute for Market Transformation. Commercial Base Line Study for DOE	27,857	4,000
MalekMemFund	Malek Memorial Foundation	27,360	--
Interest and Other Income	Bank account interest revenue, certificate of deposit interest revenue, travel reimbursements and other miscellaneous income.	21,783	1,463
EPA Industrial	Large energy users energy efficiency resources meeting(s) in Illinois and/or Indiana.	18,167	1,326
GTI T05 15-19	MEEA is a member of a research team studying building science topics and has a grant from DOE in partnership with GTI (Gas Technology Institute) and the University of Illinois. Funding flows from DOE through GTI to MEEA.	16,415	7,798
PIMA Survey	Survey of Illinois Code Officials to determine their comfort and familiarity regarding the application of energy code in modification of commercial buildings.	15,000	--
GTI Incentive	Issuing home-owner and contractor incentives for participation in indoor air quality studies.	13,298	--
CP Heat Pump	Heat Pump Research	10,000	3,610
(Subtotal Forward)		$4,852,685	$ 635,418

NOTE 8 - SUPPORT AND REVENUE (CONTINUED)

Program Name	Description	Revenue 2018	Accounts Receivable at June 30, 2018
(Subtotal Forward)		$4,852,685	$ 635,418
Data ComEd	Funding to perform data center assessment and outreach for public facilities	8,749	--
LDNL AMO	Promote DOE's 50001 Ready resources and perform outreach training and pilot set up for utilities	7,963	2,849
NPSM	Coordinate and Provide outreach to support E4theFuture in educating states on NSPM	5,313	250
IL McKnight	Promote value of energy efficiency to IL Commerce Commission	2,500	--
MW Lumen	Midwest Lumen is a regional lighting collaborative.	990	--
General Policy	Miscellaneous income.	100	--
REEO		38	--
Total		$4,878,338	$ 638,517

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Midwest Energy Efficiency Alliance

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Midwest Energy Efficiency Alliance, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year ended June 30, 2018, and have issued our report thereon dated November 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Midwest Energy Efficiency Alliance's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Midwest Energy Efficiency Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of Midwest Energy Efficiency Alliance's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midwest Energy Efficiency Alliance's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Deerfield, IL
November 16, 2018